

Press Release

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State Treasurer Nancy Kopp Commends General Assembly's Passage of Legislation to Reform Pension Funding Policy

Baltimore, MD (April 10, 2013)—State Treasurer Nancy K. Kopp today applauded the 2013 General Assembly's recent passage of legislation (HB 496/SB 474) that will phase out over ten years the so-called "corridor method" of funding the pensions for state employees and teachers, and return to using the more traditional actuarially determined Annual Required Contribution. Since its adoption in 2002, the corridor method has been cited as one of the causes for the current underfunding of the state pension system. Without change, this method would result in taxpayers paying significantly greater amounts over time.

"The Legislature has taken a very important step in eliminating a funding method that has contributed to an underfunding of the system," said Treasurer Kopp, who also is Chair of the Maryland State Retirement and Pension System Board of Trustees. "The pension reforms that the General Assembly enacted two years ago are on course to lead us to our goal of a fully funded system, and this additional reform of the state funding policy will help sustain it in the long term."

Under the corridor method, adopted in 2002, the state could maintain its contribution rate in effect for the Teachers' and Employees' combined systems at prior year levels every year as long as the funding level for the systems remained between a "corridor" of 90 percent and 110 percent funded. If either system fell below 90 percent funded, the contribution rate for the subsequent fiscal year would be set at the rate in effect for the preceding fiscal year, plus 20 percent of the difference between what is actuarially required and the prior fiscal year contribution rate. Since the recession of early 2003, the contribution level has been less than the actuarially appropriate amount. The 2013 law now enacted will correct this situation.

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The Maryland State Retirement and Pension System is charged with the fiduciary responsibility for properly administering the retirement and pension allowances of more than 132,000 retirees and beneficiaries as well as the future benefits for more than 244,000 active and former members. These groups include state government employees, teachers, law enforcement personnel, legislators, judges and local government employees and fire fighters whose employers have elected to participate in the system.